MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

BSM3104 – STRATEGIC MANAGEMENT

(All sections / Groups)

7 MARCH 2019
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR (4)** pages, excluding the Cover Page.
2. There are **THREE (3)** questions in Section A, and **THREE (3)** questions in Section B. Attempt **ALL** questions. The distribution of marks for each question is given.
3. Please write all your answer in the Answer Booklet provided.

SECTION A: CASE STUDY (40 MARKS)

Instruction: Read the case carefully and answer ALL THREE (3) questions at the end of the case. Your answers should not be limited to the content of the case.

India's $5bn no-frills hotel start-up Oyo Rooms targets China

Few of the vegetable sellers outside the Oyo 8210 hotel, on a rundown backstreet in the central Chinese city of Wuhan, would suspect it is part of a revolution in the global hotel industry. Its no-frills, windowless rooms cost Rmb100 ($14) a night, with scuffed flooring and rock-hard mattresses. But the lodge is part of the world's fastest-growing hotel chain, which is now planning to turbo-charge its expansion with $1bn of new investment led by Japanese group SoftBank. Following a wave of funding into Indian start-ups in recent years, technology-driven lodging group Oyo Rooms has put foreign growth at the heart of its plans, rolling out an unusual model based on sprucing up existing low-end hotels and powering them with technology. Already comfortably India's biggest hotel brand by room numbers, Oyo Rooms has become one of China's 10 largest within a year of launching there. It claims that within four years it can be the biggest hotel brand in the world.

'Next generation' of hotel management

In an earnings call in August, SoftBank founder Masayoshi Son praised Oyo for growing its room numbers at 10 times the pace of global leader Marriott, using what he called a "a next-generation type of hotel management". Mr Son stressed the role of technology in Oyo's success, claiming that its dynamic pricing system made "43m micro-optimisations per day". A month later, Mr Son's Saudi-backed $100bn Vision Fund boosted its stake in Oyo by leading the company's biggest funding round to date, with an immediate injection of $800m and further commitments of $200m. The round put Oyo's valuation at $5bn, making it the third most richly valued start-up to emerge from India, behind only online marketplace Flipkart and payments group Paytm. It was a triumphant moment for Ritesh Agarwal, who founded the company five years ago as a 19-year-old college dropout. Having initially focused on homestay listings, Mr Agarwal shifted his strategy when he realised that branded hotel chains focused almost entirely on larger properties that were too expensive for most Indian travellers. That left those on slimmer budgets having to take their chances on small independent lodges with wildly varying standards. Mr Agarwal decided to build a chain that would create a reliable option for such travellers, focusing on smaller, cheaper properties but guaranteeing basic levels of hygiene and service. "I felt, well, this is a fascinating opportunity and maybe nobody's seen it," Mr Agarwal told the Financial Times.

Aiming beyond the home market

Oyo's rapid growth is based on a capital-light approach: unlike some rivals, it owns none of the hotels it has brought into its network, instead operating them under lease agreements or allowing the owners to run them under a franchising deal. Oyo typically collects about 20 per cent of the revenues at each hotel. All properties are renovated by Oyo at the owners' expense — a cost that growing numbers of small hotel owners are willing to bear, Mr Agarwal says, when provided with data on the leap in occupancy rates that similar properties have had after joining the network. Beyond the price "micro-optimisations" hailed by Mr Son, Oyo says it improves standards at its hotels by providing powerful, user-friendly software that can be employed to monitor the performance of housekeeping and other staff while dramatically boosting the efficiency of booking and other processes, such as food ordering and room service The bulk of reservations are made through Oyo's own website and mobile apps. "It is the most advanced hotel system in the world right now," Mr Agarwal claimed. "Most big hotels use outdated

Continued...

technology by one of the old software giants for which they pay hundreds of thousands of dollars. And small hotels don't have anything at all."

Oyo says it now has 133,000 rooms in its Indian hotel network, roughly four times the combined total of Marriott and the Tata Group's Indian Hotels, its two nearest competitors. That leaves it well placed to profit from expected growth in Indian travel and tourism spending, which reached $91bn last year, according to Redseer Consulting. The consultancy expects tourism spending to more than double over the next decade, as India's middle class gains more disposable income. But with SoftBank funding, Oyo is now aiming far beyond its home market, predicting that accelerating international growth will take it to 2m rooms worldwide by 2022. Marriott, currently the world's largest hotel chain, has 1.3m rooms around the world. For now, Oyo's foreign expansion programme is primarily targeted on China, where its 129,000 rooms make it already one of the largest chains. "Nearly all the Chinese chains now focus on the premium and high end, so (Oyo's low-priced segment) is basically an empty market," said Li Yuebo, an analyst at Industrial Securities. But despite its growing scale, Oyo has struggled to build brand recognition in China. Many of its franchised hotels are still listed on Ctrip, China's biggest online travel service, under their pre-Oyo names. Oyo's account on WeChat — China's top messaging service, with more than 800m users — appears to have little traction, with fewer than 4,000 views of its most recent post. Mr Agarwal says Oyo has given extensive autonomy to its local Chinese management. But one Mumbai-based analyst still questioned SoftBank's logic in using an Indian company to take on the Chinese market, asking: "Why doesn't SoftBank give that money to a Chinese entrepreneur and let him compete?"

Tough competition from 'branded budget' chains

Meanwhile, Oyo is also making its first foray into a developed market: last month, it announced plans to open up to 300 franchised hotels over the next year and a half in the UK, having already launched its first two properties in London. But analysts at Morgan Stanley warned this month that Oyo would find it tougher to grow in developed markets, where "branded budget" hotels are much more common than in India or China. They added that its "dramatic" pace of expansion risked eroding quality standards. Yet Mr Agarwal insists Oyo's rapid growth can be sustained. "In traditional businesses, if you're able to use technology to create efficiency and quality of service, there is a lot of value to be captured," he said.

Source: Mundy, S. & Hancock, T. (2018, October 15). India's $5bn no-frills hotel start-up Oyo Rooms targets China. *Financial Times*, Retrieved from https://www.ft.com/content/6b480d56-ce0d-11e8-b276-b9069bde0956

a) The external assessment process involves analyzing opportunities and threats affecting the organization. Explain in detail any **FIVE (5)** opportunities and **FIVE (5)** threats of Oyo.

(20 marks)

Continued...

b) Using the points discussed in the previous question, prepare an External Factor Evaluation (EFE) matrix for Oyo by using the following template. Calculate and discuss the meaning of the Total Weighted Score of the EFE matrix

(15 marks)

Key External Factors		Weight	Rating	Weighted Score
Opportunities				
1.		0.20	4	
2.		0.20	3	
3.		0.18	3	
4.		0.15	2	
5.		0.05	3	
Threats				
1.		0.10	3	
2.		0.05	2	
3.		0.03	1	
4.		0.02	2	
5.		0.02	1	
Total		1.00		

c) Recommend a new strategy that can be implemented by Oyo. Provide a detailed explanation on how the strategy can be implemented.

(5 marks)

[Total: 40 marks]

Continued...

SECTION B: ESSAY/STRUCTURED QUESTIONS (60 MARKS)
Instruction: Answer ALL THREE (3) questions.

QUESTION 1
(a) Differentiate a vision statement with a mission statement.

(2 marks)

(b) Based on the mission statement below, identify the **NINE (9)** components that are covered in the mission statement and the corresponding statement/keyword that reflects the component *(Name of component - Keyword/statement)*.

> Our mission is to provide women quality fragrances, cosmetics, and jewelry at reasonable prices backed by outstanding customer service provided by our thousands of door-to-door sales representatives operating globally. We use the latest technology to profitably develop and market products desired by women all over the world. Our representatives put integrity first in setting a good example in every community they operate—as they sell beauty

(18 marks)

[Total: 20 marks]

QUESTION 2
Prepare a SWOT matrix for a real-life company of your choice by including at least **THREE (3)** points each for strengths, weaknesses, opportunities and threats. Complete the matrix by recommending **TWO (2)** strategies each for SO, WO, ST and WT categories.

[Total: 20 marks]

QUESTION 3
(a) As the Chief Human Capital Officer of your company, you are responsible for the manpower issues in your organization. Discuss any **TWO (2)** approaches that you can use to resolve conflicts among employees. Include a specific example of each approach.

(10 marks)

b) Briefly describe **FIVE (5)** reasons why preserving the environment should be a permanent part of doing business.

(10 marks)

[Total: 20 marks]

End of Page